

AMENDED IN ASSEMBLY APRIL 21, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 151

Introduced by Assembly Member Rodriguez

January 15, 2015

An act to add and repeal Section 3073.7 of the Labor Code, and to add and repeal Sections ~~17053.10~~, *17053.11*, 19560.3, and 23667 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 151, as amended, Rodriguez. Income taxes: credits: apprenticeships.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws. Existing law provides for the establishment of apprenticeship programs in various trades, to be approved by the Chief of the Division of Apprenticeship Standards in any trade in the state or in a city or trade area whenever the apprentice training needs justify the establishment.

This bill, for taxable years beginning on or after January 1, ~~2017~~, *2016*, and before January 1, ~~2021~~, *2020*, would allow a credit against the taxes imposed under those tax laws in an amount equal to *\$1 for each hour a registered apprentice worked in the taxable year, up to* \$2,000 for each registered apprentice, as defined, trained by the taxpayer in the taxable year. This bill would require the Division of Apprenticeship Standards in the Department of Industrial Relations, among other things, to establish a procedure for taxpayers, in the form and manner jointly prescribed by the Division of Apprenticeship Standards and the Franchise Tax Board, to apply and receive a certificate

for purposes of the credit. This bill would also require the Division of Apprenticeship Standards to prepare reports for each of the 5 calendar years beginning on January 1, ~~2018~~, 2017, and before January 1, ~~2023~~, 2022, containing specified information relating to the credits, to be submitted to the Assembly and Senate Appropriations Committees, the Assembly Revenue and Taxation Committee, and the Senate Governance and Finance Committee on or before March 1 of the following calendar year, commencing March 1, ~~2019~~ 2018.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 3073.7 is added to the Labor Code, to
2 read:

3 3073.7. (a) The Division of Apprenticeship Standards shall
4 prepare reports on the apprenticeship income tax credits allowed
5 under Sections ~~17053.10~~ 17053.11 and 23667 of the Revenue and
6 Taxation Code. The reports shall be for each of the five calendar
7 years beginning on January 1, ~~2018~~, 2017, and before January 1,
8 ~~2023~~, 2022, and shall include, but not be limited to, the following
9 information:

10 (1) The number of companies or businesses taking advantage
11 of the apprenticeship income tax credit.

12 (2) The number of apprentices participating in the apprenticeship
13 programs and the number of apprentices who completed an
14 apprenticeship program which was the basis of the apprenticeship
15 income tax credits allowed under Sections ~~17053.10~~ 17053.11 and
16 23667 of the Revenue and Taxation Code.

17 (3) The number of ~~apprentices that were~~ *apprentice program*
18 *graduates* hired by the taxpayer after the apprenticeship training
19 was completed for which the taxpayer was allowed a credit under
20 Sections ~~17053.10~~ 17053.11 and 23667 of the Revenue and
21 Taxation Code for training that apprentice.

22 (4) Information on the employment status of individuals who
23 have completed an apprenticeship to the extent the information is
24 available.

25 (5) The fiscal impact of the apprenticeship income tax credits.

(b) This report shall be submitted to the Assembly and Senate Appropriations Committees, the Assembly Revenue and Taxation Committee, and the Senate Governance and Finance Committee on or before March 1 of the following calendar year, commencing March 1, ~~2019~~. 2018.

(c) This section shall be repealed on January 1, ~~2024~~. 2023.

SEC. 2. Section ~~17053.10~~ 17053.11 is added to the Revenue and Taxation Code, to read:

~~17053.10.~~

17053.11. (a) For each taxable year beginning on or after January 1, ~~2017~~, 2016, and before January 1, ~~2021~~, 2020, there shall be allowed as a credit against the “net tax,” as defined in Section 17039, in an amount equal to *one dollar (\$1) for each hour a registered apprentice worked during the taxable year, up to two thousand dollars (\$2,000), for each registered apprentice trained by the taxpayer in the taxable year.*

(b) For purposes of this section, “registered apprentice” means an individual who meets all of the following requirements:

(1) Is 16 years of age or older at the time of application into the program.

(2) Meets one of the following requirements:

(A) Has not obtained a high school diploma and is enrolled in high school or a General Education Development test preparation program.

(B) Has obtained a high school diploma or General Education Development credential while participating in the apprenticeship.

(3) Is trained by the taxpayer through an apprenticeship program that meets all of the following requirements:

(A) The apprenticeship program is approved by the Chief of the Division of Apprenticeship Standards pursuant to Chapter 4 (commencing with Section 3070) of Division 3 of the Labor Code and is also registered with the Office of Apprenticeship at the United States Department of Labor.

(B) The program is provided pursuant to an apprenticeship agreement as described in Section 3077 of the Labor Code.

(C) The minimum term in hours for the program is ~~4,000~~ 2,000 hours.

(c) (1) (A) A credit shall only be allowed under this section for the taxable year if the taxpayer has received the certificate described in subparagraph (B) from the Division of Apprenticeship

1 Standards in the Department of Industrial Relations. A certificate
2 is required for each taxable year. The taxpayer shall provide a copy
3 of the certificate to the Franchise Tax Board upon request.

4 (B) The Division of Apprenticeship Standards shall do all of
5 the following:

6 (i) Establish a procedure for taxpayers, in the form and manner
7 jointly prescribed by the Division of Apprenticeship Standards
8 and the Franchise Tax Board, to apply and receive a certificate for
9 purposes of this section.

10 (ii) Verify that the taxpayer is training during the taxable year
11 an individual that meets the requirements to be a registered
12 apprentice as described in subdivision (b).

13 (iii) Provide the taxpayer with a certificate for the registered
14 apprentice. The certificate shall contain the name of the taxpayer
15 and the name of the apprentice, a brief description of the
16 apprenticeship, the primary location of the apprenticeship, and any
17 other information the Division of Apprenticeship Standards or the
18 Franchise Tax Board deems relevant.

19 (iv) Annually provide the Franchise Tax Board with a list of
20 the names of the taxpayers that received certificates and the names
21 of the registered apprentices of the taxpayer. The list may also
22 contain any other information from the certificates.

23 (v) Inform the Franchise Tax Board if the Division of
24 Apprenticeship Standards has knowledge that the training of a
25 registered apprentice is terminated prior to the completion of the
26 apprenticeship program after the taxpayer has received a certificate.

27 (2) The Division of Apprenticeship Standards may adopt rules
28 and regulations as reasonably necessary to effectuate this
29 subdivision, but shall consult with the Franchise Tax Board.

30 (d) In the case where the credit allowed by this section exceeds
31 the “net tax,” the excess may be carried over to reduce the “net
32 tax” in the following year, and succeeding four years, if necessary,
33 until the credit is exhausted.

34 (e) The Franchise Tax Board may prescribe rules, guidelines,
35 or procedures necessary or appropriate to carry out the purposes
36 of this section, except as otherwise specified in subdivision (c).

37 (f) (1) Except as provided in paragraph (2), if the training of a
38 registered apprentice is terminated prior to the completion of the
39 apprenticeship program, any unused carryover of the credit shall
40 be canceled and any previously claimed credit that reduced net tax

1 shall be recaptured by increasing the tax imposed by this part for
2 the taxable year in which the training is terminated.

3 (2) Paragraph (1) shall not apply if the training of a registered
4 apprentice was terminated due to any of the following:

5 (A) The registered apprentice voluntarily leaves the
6 apprenticeship program.

7 (B) The registered apprentice, before the end of the completion
8 of the apprenticeship program described in paragraph (3) of
9 subdivision (b), becomes disabled and unable to perform the
10 services of that program, unless that disability is removed before
11 the close of the period of that program and the taxpayer fails to
12 offer reinstatement to the program for that apprentice.

13 (C) The training of a registered apprentice was terminated due
14 to the misconduct, as defined in Sections 1256-30 to 1256-43,
15 inclusive, of Title 22 of the California Code of Regulations, of that
16 apprentice.

17 (D) The training of a registered apprentice was terminated due
18 to a substantial reduction in the trade or business operations of the
19 taxpayer.

20 (g) A deduction otherwise allowed under this part for any
21 amount paid or incurred by the qualified taxpayer in training a
22 registered apprentice as a trade or business expense shall be
23 reduced by the amount of the credit allowed by this section.

24 (h) This section shall remain in effect only until December 1,
25 ~~2021~~, 2020, and as of that date is repealed.

26 SEC. 3. Section 19560.3 is added to the Revenue and Taxation
27 Code, to read:

28 19560.3. (a) The Franchise Tax Board shall provide the
29 Division of Apprenticeship Standards in the Department of
30 Industrial Relations with any information necessary to prepare the
31 report required pursuant to Section 3073.7 of the Labor Code.

32 (b) This section shall be repealed on January 1, ~~2024~~, 2023.

33 SEC. 4. Section 23667 is added to the Revenue and Taxation
34 Code, to read:

35 23667. (a) For each taxable year beginning on or after January
36 1, ~~2017~~, 2016, and before January 1, ~~2021~~, 2020, there shall be
37 allowed as a credit against the "tax," as defined in Section 23036,
38 in an amount equal to *one dollar (\$1) for each hour a registered*
39 *apprentice worked during the taxable year, up to two thousand*

1 dollars (\$2,000) for each registered apprentice trained by the
2 taxpayer in the taxable year.

3 (b) For purposes of this section, “registered apprentice” means
4 an individual who meets all of the following requirements:

5 (1) Is 16 years of age or older at the time of application into the
6 program.

7 (2) Meets one of the following requirements:

8 (A) Has not obtained a high school diploma and is enrolled in
9 high school or a General Education Development test preparation
10 program.

11 (B) Has obtained a high school diploma or General Education
12 Development credential while participating in the apprenticeship.

13 (3) Is trained by the taxpayer through an apprenticeship program
14 that meets all of the following requirements:

15 (A) The apprenticeship program is approved by the Chief of
16 the Division of Apprenticeship Standards pursuant to Chapter 4
17 (commencing with Section 3070) of Division 3 of the Labor Code
18 and is also registered with the Office of Apprenticeship at the
19 United States Department of Labor.

20 (B) The program is provided pursuant to an apprenticeship
21 agreement as described in Section 3077 of the Labor Code.

22 (C) The minimum term in hours for the program is ~~4,000~~ 2,000
23 hours.

24 (c) (1) (A) A credit shall only be allowed under this section
25 for the taxable year if the taxpayer has received the certificate
26 described in subparagraph (B) from the Division of Apprenticeship
27 Standards in the Department of Industrial Relations. A certificate
28 is required for each taxable year. The taxpayer shall provide a copy
29 of the certificate to the Franchise Tax Board upon request.

30 (B) The Division of Apprenticeship Standards shall do all of
31 the following:

32 (i) Establish a procedure for taxpayers, in the form and manner
33 jointly prescribed by the Division of Apprenticeship Standards
34 and the Franchise Tax Board, to apply and receive a certificate for
35 purposes of this section.

36 (ii) Verify that the taxpayer is training during the taxable year
37 an individual that meets the requirements to be a registered
38 apprentice as described in subdivision (b).

39 (iii) Provide the taxpayer with a certificate for the registered
40 apprentice. The certificate shall contain the name of the taxpayer

1 and the name of the apprentice, a brief description of the
2 apprenticeship, the primary location of the apprenticeship, and any
3 other information the Division of Apprenticeship Standards or the
4 Franchise Tax Board deems relevant.

5 (iv) Annually provide the Franchise Tax Board with a list of
6 the names of the taxpayers that received certificates and the names
7 of the registered apprentices of the taxpayer. The list may also
8 contain any other information from the certificates.

9 (v) Inform the Franchise Tax Board if the Division of
10 Apprenticeship Standards has knowledge that the training of a
11 registered apprentice is terminated prior to the completion of the
12 apprenticeship program after the taxpayer has received a certificate.

13 (2) The Division of Apprenticeship Standards may adopt rules
14 and regulations as reasonably necessary to effectuate this
15 subdivision, but shall consult with the Franchise Tax Board.

16 (d) In the case where the credit allowed by this section exceeds
17 the “tax,” the excess may be carried over to reduce the “net tax”
18 in the following year, and succeeding four years, if necessary, until
19 the credit is exhausted.

20 (e) The Franchise Tax Board may prescribe rules, guidelines,
21 or procedures necessary or appropriate to carry out the purposes
22 of this section, except as otherwise specified in subdivision (c).

23 (f) (1) Except as provided in paragraph (2), if the training of a
24 registered apprentice is terminated prior to the completion of the
25 apprenticeship program, any unused carryover of the credit shall
26 be canceled and any previously claimed credit that reduced tax
27 shall be recaptured by increasing the tax imposed by this part for
28 the taxable year in which the training is terminated.

29 (2) Paragraph (1) shall not apply if the training of a registered
30 apprentice was terminated due to any of the following:

31 (A) The registered apprentice voluntarily leaves the
32 apprenticeship program.

33 (B) The registered apprentice, before the end of the completion
34 of the apprenticeship program described in paragraph (3) of
35 subdivision (b), becomes disabled and unable to perform the
36 services of that program, unless that disability is removed before
37 the close of the period of that program and the taxpayer fails to
38 offer reinstatement to the program for that apprentice.

39 (C) The training of a registered apprentice was terminated due
40 to the misconduct, as defined in Sections 1256-30 to 1256-43,

1 inclusive, of Title 22 of the California Code of Regulations, of that
2 apprentice.

3 (D) The training of a registered apprentice was terminated due
4 to a substantial reduction in the trade or business operations of the
5 taxpayer.

6 (g) A deduction otherwise allowed under this part for any
7 amount paid or incurred by the qualified taxpayer in training a
8 registered apprentice as a trade or business expense shall be
9 reduced by the amount of the credit allowed by this section.

10 (h) This section shall remain in effect only until December 1,
11 2021, 2020, and as of that date is repealed.

12 SEC. 5. This act provides for a tax levy within the meaning
13 of Article IV of the Constitution and shall go into immediate effect.